

SETTLEMENT AGREEMENT

This Settlement Agreement ("Agreement") is entered into among Steadfast Insurance Company, a Delaware corporation ("Steadfast"), BKK Corporation, a California corporation ("BKK"), and the Department of Toxic Substances Control ("DTSC") (together the "Parties").

RECITALS

WHEREAS, on December 2, 2005, Steadfast initiated a lawsuit styled *Steadfast Insurance Co. v. BKK Corp., et al.*, No. BC343925, pending in Los Angeles County Superior Court, California ("Lawsuit") by filing a complaint for declaratory relief against BKK and DTSC, seeking judicial resolution of the parties' respective rights and obligations under the Closure and Post Closure Environmental Liability Insurance Policy number PLC 79-69-053-04 ("2002 Policy"), for work performed between June 1, 2004 and May 31, 2005, at the BKK "Class I" hazardous waste landfill in West Covina, California (the "2004-05 Reimbursement Cycle");

WHEREAS, on March 6, 2006, Steadfast filed an amended complaint;

WHEREAS, on April 25, 2006, DTSC filed a Cross-Complaint against Steadfast and BKK alleging breach of insurance policy, unjust enrichment, breach of warranty, violation of financial assurance requirements, and false statements regarding financial assurance;

WHEREAS, disputes exist among the Parties regarding the operative complaint and cross-complaint;

WHEREAS, the Parties wish to avoid the expense of further litigation and to achieve a prompt resolution of their disputes, without admission of liability, fault, or operation and interpretation of various regulations and/or policy terms.

AGREEMENT

NOW, THEREFORE, in consideration of the above recitals, the Parties agree as follows:

1. Within ten days of the execution of this Agreement, Steadfast shall pay BKK a total of \$425,000 of the 2004-05 policy sub-limit for the 2002 Policy, for work performed at the BKK Class I Landfill during the 2004-05 Reimbursement Cycle. The checks will be delivered to BKK's counsel, which delivery shall constitute receipt of the payment. The payment shall be made as follows:

- a. The first \$215,285.05 of the \$425,000 shall be paid to the payees listed on the attached Exhibit 1 in the amounts specified therein. Payment shall be in the form of two-party checks to BKK Corporation and the payees listed on Exhibit 1. BKK represents and warrants that the payees listed on Exhibit 1 are vendors that have not been paid, in the amounts specified,

for postclosure work that the vendors performed at the Class I Landfill during the 2004-2005 Reimbursement Cycle. Within ten calendar days of receiving the payment, BKK shall convey the two-party checks, endorsed by BKK, to the payees; and

- b. The remaining \$209,714.95 of the \$425,000 shall be paid to BKK.

2. Within ten days of the execution of this Agreement, Steadfast shall pay DTSC the sum of \$987,604, consisting of:

- a. \$919,684 of the 2004-05 policy sub-limit for the 2002 Policy, for work performed at the BKK Class I Landfill during the 2004-05 Reimbursement Cycle; plus
- b. \$67,920 in stipulated interest on the policy sub-limit for the 2004-05 Reimbursement Cycle of the 2002 Policy. Steadfast represents and warrants that this is the amount of interest that Steadfast has earned on the policy sub-limit for the 2004-05 Reimbursement Cycle between August 1, 2005 and October 1, 2006.

For the payment to DTSC, Steadfast shall send a check made payable to the Department of Toxic Substances Control to:

Accounting Office
Department of Toxic Substances Control
1001 I Street, 21st Floor
P.O. Box 806
Sacramento, California 95812-0806

A photocopy of the check shall be sent to:

Barbara Coler, Chief
Permitting & Corrective Action Division
Department of Toxic Substances Control
700 Heinz Avenue
Berkeley, CA 94710

and

Marilee Hanson, Esq.
Office of Legal Counsel and Investigations
Department of Toxic Substances Control
1001 I Street
P.O. Box 806
Sacramento, CA 95812-0806

On the checks, Steadfast shall state "BKK DTSC Insurance 2004-05 Reimbursement Cycle."

3. The payment terms described above shall constitute directions from DTSC under California Code of Regulations, title 22, section 66265.145, subdivision (d), that Steadfast pay the specified amounts and shall constitute a written determination by DTSC that the postclosure expenditures are in accordance with the approved postclosure plan or otherwise justified.
4. Within 15 calendar days of the date of this Agreement, Steadfast shall dismiss its First Amended Complaint with prejudice.
5. Within 15 calendar days of the date of this Agreement, DTSC shall dismiss its cross-complaint with prejudice.
6. This Agreement fully resolves all claims of DTSC and BKK for payment under the 2004-2005 Reimbursement Cycle of the 2002 Policy. The Parties agree that with the exception of the payment obligations in paragraphs 1 and 2 above, no funds are or will be due from Steadfast for reimbursement of claims for costs incurred at the Class I Landfill during the 2004-05 Reimbursement Cycle.
7. Nothing herein shall change the interpretation, application, or legal effect of the 2002 Policy or of the California Code of Regulations, title 22, including but not limited to sections 66265.145 and 66264.151.
8. Steadfast, BKK and DTSC release each Party from all claims, demands, damages, and actions that both arose out of the reimbursement under the 2002 Policy for the 2004-2005 Reimbursement Cycle and could have been alleged in the Lawsuit.
9. This Agreement does not pertain to any matters other than those expressly specified herein. The Parties reserve, and this Agreement is without prejudice to, all rights that any Party may have against any other Party or third parties, with respect to all other matters.
10. Nothing herein shall limit the power and authority of DTSC or any other State agency to take, direct, or order all actions necessary to protect public health, welfare, or the environment or to prevent, abate, or minimize an actual or threatened release of hazardous substances, pollutants or contaminants, or hazardous or solid waste on, at or from the Class I Landfill.
11. The Parties hereby acknowledge and agree that neither the execution of this Agreement, nor the performance of any act pursuant to this Agreement, constitutes an admission of liability, express or implied, of any party with respect to any fact or matter which may have arisen in connection with the Lawsuit or the 2002 Policy, or constitutes an admission by any party of any fact or matter of law. The Parties agree that Steadfast's payments under this Agreement are not admissions of anything. This Agreement is entered into for the purpose of resolving the current dispute that has arisen between the Parties regarding the 2002 Policy, without further expenditure of attorneys' fees or other resources.

12. Other than as expressly agreed herein, the Parties shall bear their own costs, expenses, and attorneys fees, whether taxable or otherwise incurred in, or arising out of, or in any way related to the matters released, including without limitation, costs, expenses, attorney fees, and taxes incurred in, or arising out of, or relating to the subject matter of this Agreement.

13. This Agreement shall be construed in accordance with and governed by the laws of the State of California.

14. All of the rights and obligations of the Parties hereunder shall inure to the benefit of the Parties, their respective successors, assigns, personal representatives and heirs.

15. Any modification of this Agreement or additional obligation assumed by any Party in connection with this Agreement shall be binding only if evidenced in a writing signed by each Party or an authorized representative of each Party.

16. Each Party acknowledges, agrees, and represents that it: (a) has been represented in connection with the negotiations and preparation of this Agreement by counsel of that Party's choosing; (b) has read the Agreement and has had it fully explained by its counsel; (c) is fully aware of the contents and legal affect of this Agreement (d) has authority to enter into and sign the Agreement, and (e) enters into and signs the same by its own free will.

17. For purposes of interpreting this Agreement, each provision, paragraph, sentence, and word herein shall be deemed to have been jointly drafted by the Parties.

18. This Agreement may be executed in multiple counterparts, each of which shall be deemed an original. An electronic copy of a signature shall be as effective as an original signature.

Dated: 10/4/06

//Original Signed By//

Barbara Coler, Division Chief
Permitting and Corrective Action Division
Department of Toxic Substances Control

Dated: _____

BKK Corporation
By: Kris Kazarian, Vice-President and Treasurer

Dated: _____

Steadfast Insurance Company
By: Kanan Sheth

12. Other than as expressly agreed herein, the Parties shall bear their own costs, expenses, and attorneys fees, whether taxable or otherwise incurred in, or arising out of, or in any way related to the matters released, including without limitation, costs, expenses, attorney fees, and taxes incurred in, or arising out of, or relating to the subject matter of this Agreement.

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Dated: _____

Barbara Coler, Division Chief
Permitting and Corrective Action Division
Department of Toxic Substances Control

Dated: 10/6/06

//Original Signed By//

BKK Corporation
By: Kris Kazarian, ~~VP of Operations~~ Treasurer

Dated: _____

Steadfast Insurance Company
By: Kanan Sheth

12. Other than as expressly agreed herein, the Parties shall bear their own costs, expenses, and attorneys fees, whether taxable or otherwise incurred in, or arising out of, or in any way related to the matters released, including without limitation, costs, expenses, attorney fees, and taxes incurred in, or arising out of, or relating to the subject matter of this Agreement.

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Dated: _____

Barbara Coler, Division Chief
Permitting and Corrective Action Division
Department of Toxic Substances Control

Dated: _____

BKK Corporation
By: Kris Kazarian, Vice-President and Treasurer

Dated: 10/5/06

//original signed by//

Steadfast Insurance Company
By: Kanan Sheth

Exhibit 1

Summary of Unpaid Invoices from Vendors
for Work Performed at BKK Class I Landfill
(June 1, 2004 – May 31, 2005)

Vendor	Invoice Date	Invoice #	Amount
Chemical Waste Management	10/31/04	2246-0582443	1,270.18
Chemical Waste Management	11/30/04	2246-0583159	1,901.27
Chemical Waste Management	12/28/04	2246-0584503	279.00
Chemical Waste Management	12/28/04	2246-0584504	270.00
Chemical Waste Management	01/20/05	2246-0585046	60.12
Chemical Waste Management	02/22/05	2246-0586071	99.00
Chemical Waste Management	02/28/05	2246-0586239	1,725.51
Chemical Waste Management Total			\$5,605.08
Norit Americas Inc.	09/07/04	UCA793860	12,500.00
Norit Americas Inc. Total			\$12,500.00
P & F Distributors	07/31/04	4587	1,141.23
P & F Distributors Total			\$1,141.23
RES Environmental Inc.	09/30/04	5181	1,312.50
RES Environmental Inc.	09/30/04	5181	1,312.50
RES Environmental Inc. Total			\$2,625.00
Suburban Water Systems	06/01/04-11/30/04	1370946	171,895.02
Suburban Water Systems Total			\$171,895.02
Turnkey Industrial Pipe	08/01/04	77162	835.59
Turnkey Industrial Pipe Total			\$835.59
Weck Laboratories, Inc	09/08/04	W4I0828	91.50
Weck Laboratories, Inc	09/09/04	W4I0906	971.25
Weck Laboratories, Inc	09/13/04	W4I1325	91.50
Weck Laboratories, Inc	09/14/04	W4I1426	157.50
Weck Laboratories, Inc	09/17/04	W4I1722	91.50
Weck Laboratories, Inc	09/23/04	W4I2347	91.50
Weck Laboratories, Inc	10/04/04	W4J0444	91.50
Weck Laboratories, Inc	10/07/04	W4J0713	971.25
Weck Laboratories, Inc	10/08/04	W4J0826	91.50
Weck Laboratories, Inc	10/15/04	W4J1514	91.50
Weck Laboratories, Inc	10/25/04	W4J2528	91.50
Weck Laboratories, Inc	10/28/04	W4J2827	91.50
Weck Laboratories, Inc	10/28/04	W4J2801	971.25

**Summary of Unpaid Invoices from Vendors
for Work Performed at BKK Class I Landfill
(June 1, 2004 – May 31, 2005)**

Vendor	Invoice Date	Invoice #	Amount
Weck Laboratories, Inc	11/05/04	W4K0517	91.50
Weck Laboratories, Inc	11/16/04	W4K1634	91.50
Weck Laboratories, Inc	11/29/04	W4K2917	91.50
Weck Laboratories, Inc	12/07/04	W4I0749	971.25
Weck Laboratories, Inc.	10/05/04	W4J0505	145.00
Weck Laboratories, Inc.	08/27/04	W4H2712	434.13
Weck Laboratories, Inc.	08/27/04	W4H2725	91.50
Weck Laboratories, Inc.	08/30/04	W4H3005	355.00
Weck Laboratories, Inc.	09/02/04	W4I0210	355.00
Weck Laboratories, Inc.	09/02/04	W4I0211	355.00
Weck Laboratories, Inc.	09/22/04	W4I2201	355.00
Weck Laboratories, Inc.	09/22/04	W4I2202	355.00
Weck Laboratories, Inc.	09/23/04	W4I2312	355.00
Weck Laboratories, Inc.	09/23/04	W4I2313	355.00
Weck Laboratories, Inc.	09/23/04	W4I2314	355.00
Weck Laboratories, Inc.	10/01/04	W4J0113	355.00
Weck Laboratories, Inc.	10/01/04	W4J0114	355.00
Weck Laboratories, Inc.	10/01/04	W4J0115	355.00
Weck Laboratories, Inc.	10/01/04	W4J0116	710.00
Weck Laboratories, Inc.	10/05/04	W4J0504	50.00
Weck Laboratories, Inc.	10/08/04	W4J0838	355.00
Weck Laboratories, Inc.	10/08/04	W4J0839	355.00
Weck Laboratories, Inc.	10/22/04	W4J2213	497.00
Weck Laboratories, Inc.	10/28/04	W4J2842	500.00
Weck Laboratories, Inc.	10/28/04	W4J2843	500.00
Weck Laboratories, Inc.	10/28/04	W4J2844	500.00
Weck Laboratories, Inc.	10/28/04	W4J2845	500.00
Weck Laboratories, Inc.	10/28/04	W4J2846	500.00
Weck Laboratories, Inc.	11/03/04	W4K0342	500.00
Weck Laboratories, Inc.	11/19/04	W4K1908	500.00
Weck Laboratories, Inc.	11/19/04	W4K1909	500.00
Weck Laboratories, Inc.	12/07/04	W4L0747	1,000.00
Weck Laboratories, Inc.	12/07/04	W4L0748	500.00
Weck Laboratories, Inc.	12/08/04	W4L0802	1,000.00
Weck Laboratories, Inc.	12/08/04	W4L0803	1,000.00
Weck Laboratories, Inc.	12/14/04	W4L1415	500.00

**Summary of Unpaid Invoices from Vendors
for Work Performed at BKK Class I Landfill
(June 1, 2004 – May 31, 2005)**

Vendor	Invoice Date	Invoice #	Amount
Weck Laboratories, Inc.	12/15/04	W4L1508	500.00
Weck Laboratories, Inc.	12/15/04	W4L1509	500.00
Weck Laboratories, Inc. Total			\$20,683.13
TOTAL			\$215,285.05

NOTE: Summary excludes work performed by BAS Construction L.P. and Bryan Stirrat & Associates.

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